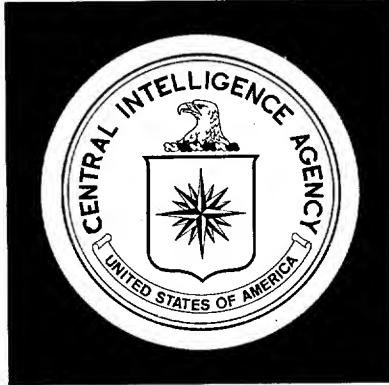


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*OIL: Following the Arab decision, announced yesterday, to lift the oil embargo against the US, Saudi Oil Minister Yamani told newsmen that Saudi oil production will be increased immediately by more than 1 million barrels per day. Most of the increase, he said, will go to the US. If Saudi output does go up by this amount, the Saudis will be producing at about the level of September. The Arabs' provision to review on June 1 their decision to lift the embargo, however, means they have not foreclosed the use of oil as a political weapon in the future.

Arab oil shipments to the US should begin right away. Production can be increased immediately, and there is substantial tanker tonnage available in the Persian Gulf. The normal transit time between the Persian Gulf and the US is 35-40 days. Furthermore, some tankers en route to other destinations could be diverted to the US.

The increase in production should exert further downward pressure on crude oil prices. The full impact will depend on how greatly US oil consumption increases in response to the lifting of Arab supply restrictions. Auctions by producer governments in recent weeks have brought offers lower than those governments had expected. Although the Organization of Petroleum Exporting Countries agreed to freeze the posted price for the next three months, sales prices are normally well below the posted price.

The Egyptians and the Saudis worked hard for a united front but failed. Libya and Syria refused to join in the agreement concluded by the other seven Arab oil ministers. Iraq did not attend the conference. The Syrians, supported by the Libyans, apparently wanted to emphasize their dissatisfaction with what they view as lack of progress on disengagement along the Syrian-Israeli front. The Egyptians, however, are still trying to paper over these differences. According to Cairo's Middle East News

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[REDACTED]

Agency, Libya is said to have no objection to lifting the embargo but considers the timing inappropriate. The Syrians are portrayed as still considering their stand.

The refusal of Syria, Libya, and Iraq to join in ending the embargo will have little effect on oil supplies. Iraq has not signed any of the Arab oil agreements since the October war and has not cut production. Libyan production is only about 200,000 barrels per day below its September level. Prior to the embargo, the US received about 350,000 barrels per day from Libya. Syria, a minor producer, does not export oil to the US.

The Arabs agreed to make increased amounts of oil available to Italy and West Germany. The agreement provides for individual members to increase production to the level necessary to implement the decision. Yamani said, however, that the embargo on the Netherlands would not be lifted. [REDACTED]

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[REDACTED]

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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[REDACTED]

***SOUTH VIETNAM:** Fighting in South Vietnam's central highlands has eased, at least temporarily. Both sides reportedly suffered heavy casualties in the Communist attacks against government positions near Kontum city and in the area of the Mang Giang Pass, near the border of Pleiku and Binh Dinh provinces. The government battalion that took the brunt of the action near Kontum may be forced to withdraw.

The South Vietnamese believe that the attacks were coordinated and that more may come soon. There has been a heavy infiltration of men and materiel along the Communist corridor in the western highlands in the past few months, as well as a continuing effort by the Communists to expand their logistic system to the east. The attacks last weekend were directed against government units that have been harassing Communist troops who are extending a new road eastward into Kontum.

To the south, a government operation in western Darlac Province is winding down. Elements of the South Vietnamese 23rd Division are now being withdrawn from the operation, and they could be sent north if the Communists step up their attacks in Pleiku and Kontum. [REDACTED]

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CAMBODIA: The loss of the isolated provincial capital of Oudong some 20 miles northwest of Phnom Penh is the first significant setback for the government this year.

Cambodian Army troops late on March 18 were still holding out just east of Oudong, but Khmer Communist troops were burning buildings and trying to remove the town's 20,000 civilian inhabitants. A government relief column attempting to move down Route 5 from the north is bogged down in the face of stiff resistance.

Although Oudong is of little tactical importance, its loss will be a psychological setback for the government. The town is a recently created provincial capital and a former royal capital with religious and historical significance. Its capture provides the Communists with a badly needed victory to offset their recent poor showing in the Phnom Penh area.

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[REDACTED]

Fighting has picked up at the southwestern coastal city of Kampot, but government troops there have held their ground. Reinforcements and supplies continue to arrive at Kampot by air and sea, and government strength has grown to over 3,600. Military activity in the Phnom Penh region remains light.

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[REDACTED]

FRANCE-EC: President Pompidou is trying to galvanize the EC into establishing an energy policy, partly in response to progress made by the US and other Western countries in the 12-nation Energy Coordinating Group. At the same time, lower ranking French officials are trying to have France share in that work also, through contacts with Paris' EC partners and through the OECD.

The French have approached their EC partners to propose establishment of a meaningful EC energy policy, according to Luxembourg Foreign Minister Thorn. The policy would embrace matters similar to those already being handled in the Energy Coordinating Group, but the French are promising a wider range of cooperation. Paris wants EC energy policy discussed at the EC Council meeting on April 1-2.

According to Thorn, the French initiative arose out of a meeting in Paris last week between President Pompidou and EC Commission President Ortolí. Ortolí told Pompidou that the success of the coordinating group thus far--which had alarmed the French--was partly a consequence of French unwillingness to endorse EC cooperation in energy matters.

Thorn advocated that the other members of the EC and the US counter Pompidou's move by accelerating progress in the coordinating group and, above all, by moving rapidly to schedule a broad conference including the lesser developed countries and the producers.

Meanwhile, a senior French official concerned with economic planning told the US Embassy that he was pleased with his government's participation in the meetings of the OECD's High Level Group, in which several topics under guidelines from the coordinating group are being discussed. The official said that although Washington and Paris differed on procedures, it was important to make progress on practical programs wherever possible. As he saw it, France's EC partners, which are participating in the Energy Coordinating Group, would keep France informed of what went on there, thus providing a bridge between the coordinating group and the High Level Group in which France is active.

[REDACTED]

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SWEDEN: The Palme government has increased social-welfare spending, lowered the value added tax, and broadened the price freeze to combat the adverse effects of higher oil costs on domestic demand and consumer prices.

This economic stimulation package is moderate by Social Democratic standards and was tailored to appease the opposition parties in Parliament. A dispute in late February between the opposition parties and the Socialists over the amount of reduction of the value added tax nearly forced new elections before a compromise was finally reached.

The Palme government does not want an early election. The ruling bloc of Social Democrats and Communists has made little progress in public opinion polls since the elections last September. The current standoff in the Parliament, which is almost evenly divided between the socialist bloc and the opposition parties, has encouraged more frequent compromise.

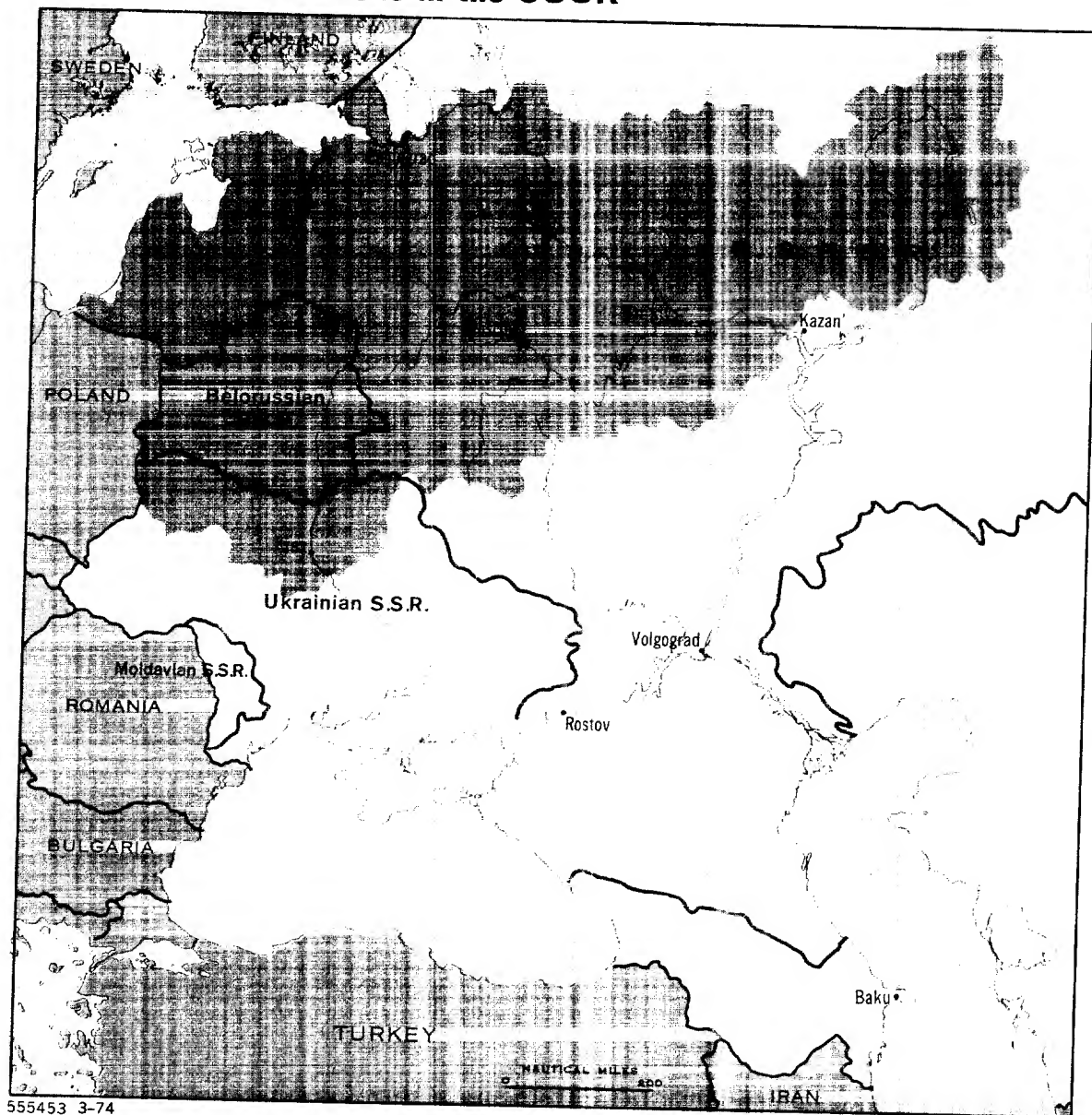
The government's program is likely to boost Sweden's growth rate from about 3 percent to almost 4 percent and probably will hold the rise in consumer prices to around 10 percent. Because few West European governments are acting to counter the contractionary impact of higher oil prices, this economic package should ensure Sweden one of the best growth rates among industrial nations this year. The continued price freeze, moreover, should place Sweden's inflation among the more moderate in Western Europe. [REDACTED]

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The Non-Black Soil Zone in the USSR



USSR: Speaking at the 20th anniversary of the start of Khrushchev's "new lands" program, party chief Brezhnev unveiled the bare outlines of an ambitious long-term program to develop agriculture in the Russian Republic. He also spoke of the need to simplify and modernize agriculture's organizational structure.

Brezhnev announced that the Central Committee had recently decided to spend 35 billion rubles during 1976-80 as the first phase of a 15-year program for the "all-round development" of agriculture in the non-black-soil region of the Russian Republic. A Soviet official later added that 124 million acres would be improved under this program--79 million for cultivation and 45 million for livestock. These improvements in the cultivated area represent about 15 percent of total sown acreage and are about equal to the 70 million acres plowed up in the "new lands" program of the 1950s.

The non-black-soil zone is already an important producer of agricultural products and was targeted for some attention in Brezhnev's programs of 1965 and 1970. Moderate amounts of money were spent, mainly for draining, clearing, leveling, liming, and fertilizing, because this zone includes large tracts of boggy, uneven, and stony land with soils low in natural fertility. Although there is a relatively short growing season, the zone has the highest average annual rainfall of any large agricultural area in the European USSR. Based on experience in comparable areas in Poland and Scandinavia, the outlook for increased crop and livestock output here is bright. The Soviets hope that the area will become a stable base for grain output, and, in fact, grain yields here have increased significantly in recent years.

Brezhnev's speech also provided his most definitive statement yet on the need to find new organizational forms within the farm sector as well as to restructure the whole farm management system. On the first point, he again encouraged increased industrialization and specialization and the creation of inter-farm organizations. He warned, however, that "hasty,

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artificial nudging and exertion of pressure" will not be tolerated. On the second point, he stated that the present structure of management has become over-complicated. Expanding on this theme, he called for "a unified approach" to all agricultural questions for the country as a whole and better coordination among the departments concerned with agriculture. At the same time, he stressed that centralized planned guidance must be balanced with operational independence for state and collective farms.

Hinting that some reorganization might take place in the near future, he noted that the Central Committee is receiving suggestions on these topics from the grass roots and is "now weighing them carefully with a view to discussing them." He concluded on a firm note, saying that "national economic problems" must not be allowed to divert resources from the agricultural sector.

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USSR - YEMEN (SANA): Moscow is again sending limited quantities of military equipment to Yemen (Sana) after a three-year hiatus. [REDACTED]

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[REDACTED] the Soviets have recently delivered three MIG-17 jet aircraft, ten T-34 tanks, spare parts, small arms, and ammunition.

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The Soviets failed to deliver military equipment ordered under a 1971 agreement, and relations between Moscow and Sana began to deteriorate. The situation was aggravated when the Soviets expanded military aid and political support to Yemen (Aden), Sana's rival.

Sana's armed forces are almost totally Soviet equipped, however, and despite their pique the Yemenis continued to press Moscow for spare parts and ammunition. Last May the USSR agreed to resume military aid deliveries.

The transfer of some West European-manufactured ground forces equipment from other Arab states to Sana last year and discussions with the US for military training and a large assortment of arms may have convinced Moscow to revive its military assistance. The Soviets want to maintain their investment and prevent Sana from turning to the West for military aid. [REDACTED]

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GUATEMALA: The Guatemalan Government appears to have stifled the opposition protesting the official vote count in the recent presidential election and is going ahead with preparations to inaugurate its candidate, General Kjell Laugerud, on July 1.

Guatemalans widely believe that Laugerud's election was achieved by gross fraud, but the attempts of the opposition to thwart a Laugerud victory by peaceful resistance have been ineffective. Appeals by defeated candidate General Efraim Rios Montt for nationwide strikes have gone unanswered, and street demonstrations have been easily broken up by police. The army has been uneasy over the situation, but its top generals appear to be fully backing the government. Coup rumors in the army have subsided.

Over the weekend, Rios in effect removed himself from a position of opposition by accepting a recall to active duty in the army

Rios' principal supporters in the left-of-center National Opposition Front are still urging the public to reject the "imposition of Laugerud," but these efforts are likely to have little effect on the government.

Senior government officials will now concentrate on building a presidential image for Laugerud, while ignoring opposition protests as much as possible.

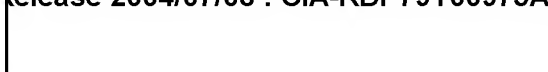
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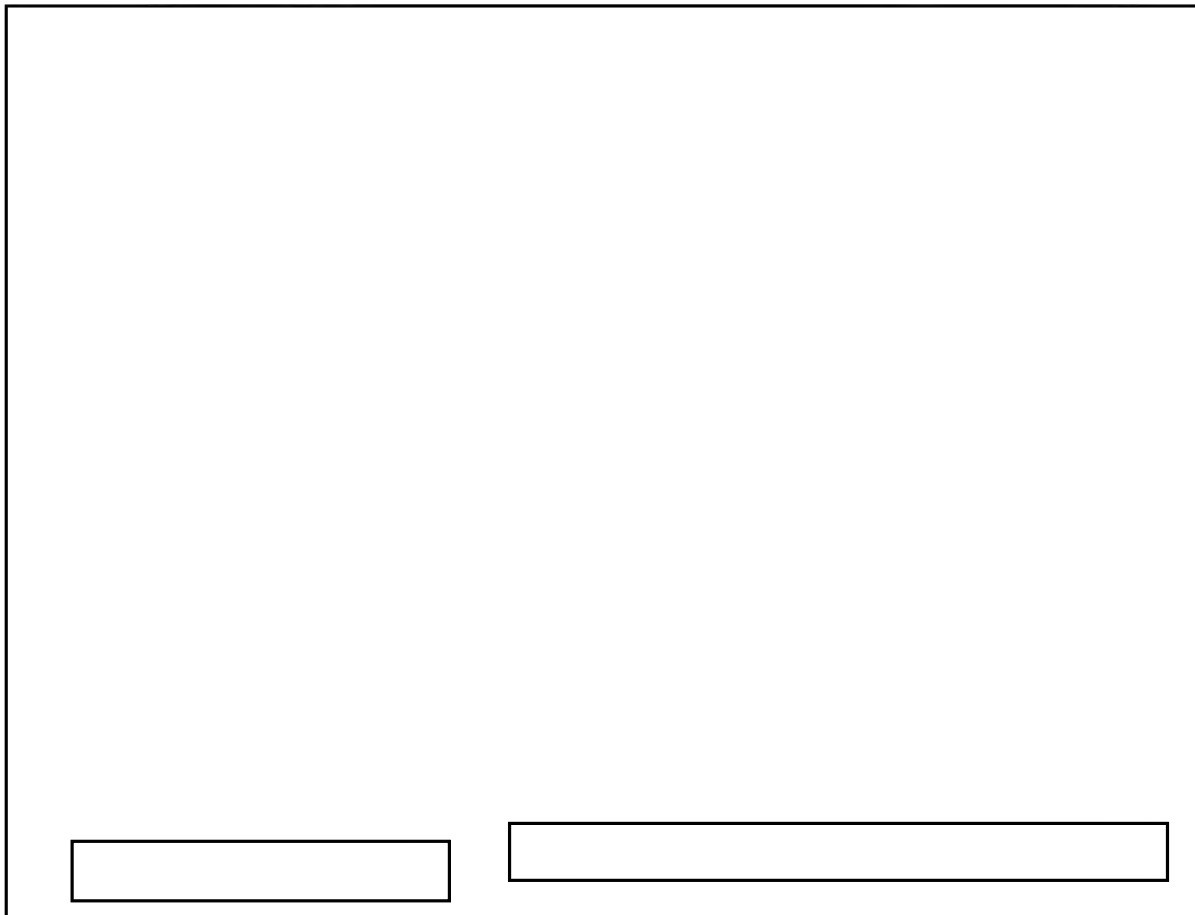
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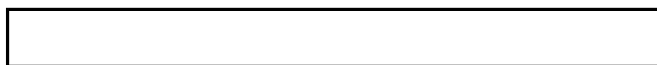
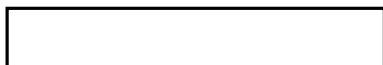
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FOR THE RECORD

Romania-Guinea: On March 11, Romania extended its first economic aid to Guinea--a ten-year, \$80-million credit. According to a communiqué issued at the end of President Ceausescu's visit to Conakry, most of the credit will be used for mining and processing Guinean bauxite. The Romanian ambassador in Conakry indicated that Bucharest was given a bauxite concession in the Boke area and that "general" agreement was reached for a complex that would include bauxite mining, alumina smelting, and the fabrication of aluminum products. Romania also agreed to develop Guinean iron ore deposits and to participate in agricultural, educational, and health protection programs. 

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